# WATER MANAGEMENT ACT BLUE RIBBON PANEL PRESENTATION OCTOBER 20, 2006

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# WATER MANAGEMENT POLICY COSTS

- THREE MAJOR COST CATEGORIES

-IMPLEMENTATION COSTS

-LOST REVENUE COSTS

-BUSINESS COSTS

# WMA POLICY IMPACTS TO TOWNS

- I. IMPLEMENTATION COSTS
  - HIGHLY VARIABLE BY
     COMMUNITY, FITCHBURG
     VS. MILLIS VS FRANKLIN
    - ? MEET 65 GPD STANDARD
    - ? MEET 10% UNACCOUNTED FOR WATER
    - ? ROOM TO GROW IN PERMITTED CAPACITY

# IMPLEMENTATION COSTS

- WATER AUDIT COSTS
- ENFORCEMENT STAFF
- METER REPLACEMENT COSTS
- PEDUCATION PLANNING & OUTREACH
- WATER MAIN REPLACEMENT

# <u>IMPLEMENTATION COSTS</u>

- WATER SERVICE REPLACEMENT
- LEAK DETECTION
- METER DATA LOGGING COSTS
- BILLING SYSTEM/RATE STUDY REVIEWS
- OFFSET STUDY COSTS AFFECTED BY CONSERVATION
  EFFORT

#### <u>IMPLEMENTATION COSTS</u>

- WATER AUDIT COSTS MILLIS 50K, 42 MILES ON WATER MAIN, 2700 CUSTOMERS, ONE ZONE
- RATE INCREASE W/O GRANT REQUIRED, 5%
- ENFORCEMENT STAFF 1 LABORER
   COSTS/ W BENEFITS PER \$50,882
- RATE INCREASE REQUIRED 5%
- THINK PROPORTIONATELY!

## IMPLEMENTATION COSTS

- RESIDENTIAL METER COSTS MILLIS SYSTEM WIDE \$750,000
- \$300 INSTALLED COST PER METER W/O BORROWING
- W/ BORROWING, TOTAL COST
   \$956,000 OR \$354 PER CUSTOMER

# IMPLEMENTATION COSTS

- EDUCATION/COMMERCIAL/INDUS-TRIAL OUTREACH PLAN COSTS \$65,000 ANNUALLY
- RATE INCREASE REQUIRED 6.2%
- WATER MAIN REPLACEMENT COSTS
  WILL VARY GREATLY BY
  COMMUNITY DEPENDING ON AGE OF
  INFRASTRUCTURE

# DEP WMA IMPACTS TO TOWNS

#### II. LOST REVENUE COSTS

- WATER REVENUE
- SEWER REVENUE
- TAX REVENUE

- WATER EXPENSES ARE MOSTLY
   FIXED COST DRIVEN
- FIXED COSTS ACCOUNT FOR APPROXIMATELY 85-90% OF WATER PRODUCTION COSTS
- VARIABLE COSTS ACCOUNT FOR APPROX. 10-15% OF WATER PRODUCTION COSTS

- REDUCTIONS IN AMOUNT OF WATER PUMPED, BILLED & COLLECTED ARE DISPROPORTIONATE TO EXPENSES AND REVENUE, BUT IN OPPOSITE WAYS
- A 10% REDUCTION IN WATER
  PUMPED & BILLED YIELDS ABOUT A
  1% SAVINGS IN VAR. EXPENSES

- 10% REDUCTION IN WATER PUMPED & BILLED DUE TO CONSERVATION LOSES A HIGHER % OF REVENUE AS MOST REVENUE LOSS IS @ HIGHER RATE
- MILLIS QUARTERLY BLOCK RATES
  - 0-25K GALLON RATE \$2.40/1000 GALS.
  - 25K-50K GAL. RATE \$3.81/1000 GALS.
  - 50K+ RATE \$6.09/1000 GALLONS

- PROPORTIONATE RATE INCREASE MUST MAKE UP FOR LOST REVENUE
- Now Reduction in Billed AMOUNTS REQUIRES 15-20% INCREASE IN RATES, 20%, 30-40% RATE INCREASE

- MUNICIPAL SEWER REVENUE OFTEN BASED ON WATER CONSUMPTION
  - MILLIS 100%
  - MEDFIELD 75%
  - WALPOLE 80%
  - FRANKLIN 60%
- REDUCING AMOUNTS OF WATER BILLED
   & CONSUMED WILL INCREASE SEWER
   RATES AS WELL AS WATER RATES

#### LOST TAX REVENUE

- MILLIS EXAMPLE COMPARE:
- 20 ACRE PARCEL USED FOR
   WAREHOUSE & RETAIL OPERATION
- IF PARCEL DEVELOPED ACCORDING
  TO NEW MIXED USE OVERLAY
  DISTRICT ADD 234 CONDO OR APT
  UNITS AND 156K SF OFFICE &
  RETAIL SPACE

#### LOST TAX REVENUE

- CURRENT PROPERTY VALUE \$4.6 MILLION,
   TAX REVENUE \$52,900
- POSSIBLE PROJECT PROPERTY VALUE \$88 MILLION, TAX REVENUE \$1,017,200
- MILLIS CURRENT WMA PERMIT ROOM FOR GROWTH, 810K GPD/970K GPD
- WOULD THIS PROJECT BE ALLOWED UNDER WMA POLICY? UNCERTAIN?
- GOLF COURSE (\$5.1 MIL CURRENT)
   PROJECT VS 330 UNIT COMMUNITY

#### III. BUSINESS COSTS

- LOST DEVELOPMENT PROFIT
- INCREASED PROJECT COSTS, ESP. MIXED USE DEVELOPMENT
- INCREASED WATER/SEWER COSTS
- LOSS OF HOUSING OPPORTUNITIES FOR WORKERS
- LOST JOB OPPORTUNITIES FOR WORKERS

#### TOTAL COSTS

- WHAT MILLIS EXPECTS CUSTOMERS WILL PAY OVER 2YR START UP:
  - -CURRENT AVG. BILL \$451.24
  - IMPLEMENTATION COSTS \$102
  - -RATE INCREASE \$68
  - -LOST TAX REVENUE \$185
  - -SEWER COST INCREASE?
  - -78%+ CHANGE RESULT OF POLICY